



Start Smart Initiative

Determining Low and Moderate Income Benefit for Your Project

At least 51% or more of the persons **and** families benefiting from the Early Childhood Education facility must be low and moderate-income (LMI). The low and moderate income requirement may be satisfied by either (1) the pre-kindergarten facility/program is located within a defined service area where 51% of the households meet the low and moderate income definition (known as area-wide or targeted area benefit) or (2) attendance at the pre-school is limited solely to children from low and moderate income families (known as meeting LMI through Limited Clientele).

LMI through area-wide or targeted area:

LMI is generally calculated on an area wide basis, meaning either the entire jurisdiction of the applicant (or sub applicant) or a defined targeted area within that jurisdiction must be at least 51% LMI. To accomplish those tests, LMI can be determined by HUD census data or by conducting a survey.

It is the activity that will often provide the indication of who benefits. The availability of exact census data will determine whether census or survey may be used. In the CDBG program, an applicant determines the project to be either: area-wide benefit, or a target-area benefit. Secondly, the applicant indicates the method of LMI eligibility: **census, survey, or limited clientele.**

Beneficiaries and Income

To be counted as a beneficiary of a project, LMI documentation must be obtained.

For the purposes of determining eligibility, all persons and families must be counted. A project may not be designed to benefit moderate-income persons to the exclusion of low-income persons.

HUD's Section 8 program income guidelines (as modified by the Housing and Community Development Act of 1987) shall be used to define low and moderate-income for the CDBG Program. The annual income limits are available at <http://ded.mo.gov/upload/2013IncomeLimits.pdf>.

"Income" should be viewed as a family's total adjusted gross income. Any person that belongs to an LMI family is considered an LMI person. To document LMI status it is easiest to request a copy of the direct beneficiaries IRS Form 1040 or other equivalent income statements.

Using Census Data for Area Wide Benefit

The application may be an area-wide benefit if the activity benefits an entire city, county, township, or enumeration district, either 2000 census data or survey may be used to determine LMI benefit. Please note that the census data provided by HUD sometimes differs from the U.S. Census Bureau in terms of income and the total number of persons and families in a given area. DED may only accept the HUD data as valid.

To calculate the LMI percentage, divide the number of LMI persons by the total number of persons benefiting; and divide the number of LMI families by the total number of families benefiting. Both calculations must equal or exceed 51%. You may not round up to achieve 51%. The HUD census data is only available in the number of LMI persons. Therefore, in order to arrive at the correct number of LMI families, divide the number of persons by 2.48, which is the state average household size.

Surveying for Targeted Area Benefit

If the activities proposed in an application only benefit a portion of the community, then a target-area benefit would be relevant. Most often, surveys are required to gain eligibility in this circumstance. Census data by tract or block group may be used if the beneficiaries exactly match the tracts or block groups (and the entire block group data must be used). Contact CDBG at (573) 751-3600 to request assistance with census information.

If you choose to survey an area for eligibility, there are three categories of income to report: 80% of the county's median income; 50% of county's median income; and, 30% of the county's median income. Eligible persons and families are all those below 80% of median income. The terminology may differ for the three categories but the percentages are the same. You may see: moderate-low-very low; or low-very low-extremely low; or low-very low-30% of median. It is important to distinguish the categories for the reporting purposes and not to eliminate any from the survey instrument sample.

Census and survey information may not be mixed to achieve eligibility. However, if a project benefits an entire community, plus additional persons outside the city limits, census data may be used for the residents of the community (if it exceeds 51%) and a survey may be conducted for those outside the city limits. The survey must also achieve 51% LMI independently in order to qualify the project.

Surveys are used to apply accurate information to an area that is not covered by census information, or to provide updated information to an area that has changed in the number of persons and their income level during the decade for which the census is valid. There is a methodology applied to surveys intended to support CDBG eligibility and there is a time limit in which those surveys may be valid.

There are two options for surveys: 100% solicitation (census) or random.

For the first option, applicants must solicit 100% of the proposed beneficiaries. The survey response percentage is 80%. (This is only allowed when the project area contains 200 or fewer families). For larger surveys, applicants are required to perform a random survey.

A random survey requires a smaller sample to be surveyed, but requires that specific residences (chosen at random by CDBG) be surveyed. The survey response rate is 80% of the residences surveyed. A random survey is required if the service area contains more than 200 families. Contact CDBG staff for random number table if random survey is required. If the service area of the project consists of 200 or fewer families, a random survey is **not** an option.

Regardless of survey options, there are three acceptable procedures: door to door, which should involve trained personnel, where the survey is conducted at the residence by an interviewer. Techniques of not introducing bias into the survey should be used including question wording; probing to obtain clarification, and recording responses accurately. Modified door-to-door includes hand delivery of the survey but the task of completion is left to the resident. The deliverer may either wait or make arrangements to pick the survey up at a later date. Or, the survey may be made via mail.

Telephone surveys are not acceptable.

The survey instrument and tabulation sheet is made available to the applicant by CDBG. Please contact CDBG staff prior to any modifications of the document. **CAUTION:** A survey not properly implemented may result in ineligibility due to not meeting a national objective.

A map must accompany the application, showing the project area and beneficiaries. If a survey is used to prove LMI, then **the survey area and the houses surveyed should be clearly marked on the map.**

Limited Clientele

LMI benefit may also be proven when a project exclusively serves a group or groups of persons who are defined as being primarily of LMI status. Using limited clientele to prove LMI benefit is also allowable when a project requires information on income and family size so that it is evident that at least 51% of the clientele are persons whose family income does not exceed the LMI threshold. This includes cases in which the project activities are restricted exclusively to LMI persons.

What this mean is that, rather than using the LMI of the area served by the facility, documenting the LMI of the actual users may be an allowable means of proving LMI for the project. This is done by requiring an income survey of the actual users of the facility; if at least 51% of the users are at or below the LMI threshold, then the LMI national objective is met.

In the case of the expansion of an existing early childhood education facility, current users should be surveyed in order to show at least 51% LMI benefit. New users should be surveyed until the project is completed and closed. As long as at least 51% of the users meet the definition of LMI, the project will successfully meet the LMI national objective.

In the case of a new facility for which there are no existing users, proving LMI benefit using this method may be difficult. Please contact Andy Papen (andy.papen@ded.mo.gov or 573-751-3600) to discuss.

If an early childhood education facility has an income restriction that is equal to or lower than the LMI threshold, then the LMI national objective will also be met as 100% of the users will be of LMI status. This will also be the case if a facility adopts the LMI thresholds as its income restriction.